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DE RUEHKV #0089/01 0121636
ZNY CCCCC ZZH
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FM AMEMBASSY KYIV
TO RUEHC/SECSTATE WASHDC PRIORITY 0896
INFO RUEHZG/NATO EU COLLECTIVE
RUCNCIS/CIS COLLECTIVE

C O N F I D E N T I A L SECTION 01 OF 03 KYIV 000089

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E.O. 12958: DECL: 01/11/2017
TAGS: [PGOV](#) [PREL](#) [UP](#)
SUBJECT: UKRAINE: POWER PLAY - PM YANUKOVYCH DROPS
COOPERATION WITH YUSHCHENKO FOR DEAL WITH BYUT

REF: 06 KYIV 4681

Classified By: Ambassador for reasons 1.4(a,b,d).

¶1. (C) Summary. After a pleasant January 10 meeting between President Yushchenko, Prime Minister Yanukovych, and Rada Speaker Moroz aimed at starting 2007 on a more cooperative note, Ukraine's political dynamics took another unexpected turn January 12, with Regions abandoning cooperation with Yushchenko in favor of cutting a deal with the Tymoshenko bloc (BYuT) on the last day of this Rada session. Rather than working together with Yushchenko to develop a compromise joint draft on the Cabinet of Ministers law as promised January 10, Regions rejected all Presidential requests in committee and on the floor January 12 and secured BYuT's support for a veto override in exchange for approval of a law on imperative mandates for local municipal council members and approval of a first reading of a law on the opposition that would give BYuT extensive rights. A shocked OU faction walked out of the Rada chamber after the veto override, refusing to return for the end of session speeches by PM Yanukovych and Speaker Moroz. Both speeches focused on the importance of the CabMin law and Government-Rada cooperation.

¶2. (C) Comment: The January 10 meeting of the two Viktors, joined by Speaker Moroz, appeared to fall the pattern described reftel of personal engagement resulting in the resolution of specific issues. However, the latest twists leave the short-term prospects of Presidential-PM cooperation uncertain, with some Regions MPs openly talking of the arrival of a Ukrainian "Chancellor" making the president a marginalized figurehead. Deputy Head of the Presidential Secretariat Yatseniuk, Yushchenko's representative to the

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Cabinet of Ministers, said that Yushchenko would lodge a request January 15 to the Constitutional Court to review the CabMin law, and that Yushchenko would not sign any laws passed by the Rada January 12. Yanukovych confidante Hanna Herman claimed to us after the vote that the PM had changed his mind on the way forward politically after learning of "disturbing news" late January 11 that led him to believe he could not trust Yushchenko. Herman said she rewrote Yanukovych's end of session speech, taking out talk of cooperation with the President. Earlier January 12, the Rada also approved the appointment of Volodymyr Radchenko as Deputy Prime Minister; Radchenko said he would work on law enforcement, security, and defense issues, seemingly encroaching on core Presidential responsibilities. End summary and comment.

Starting off the New Year with bonhomie...

¶3. (SBU) Ukraine's political new year began with a friendly trilateral session January 10 between Yushchenko, Yanukovych, and Moroz to discuss how to facilitate cooperation between

jostling governmental institutions. At a press conference after the meeting, Yushchenko announced that an array of agreements had been reached, including: to form a constitutional commission to review needed implementing legislation; to work jointly to rewrite the law on the Cabinet of Ministers in the aftermath of his veto of the coalition's passed version; to develop a joint plan to implement the Universal by holding a new roundtable on February 14; to agree on all governmental nominations; and to follow up on economic issues such as land reform and WTO accession. The meeting seemed to follow the pattern of resolving differences laid out in reftel.

...turning quickly sour

¶4. (SBU) Within 48 hours, however, dynamics shifted significantly. Early on January 12, Regions implemented a much different strategy on the Cabinet of Minister law review than had been discussed by Yushchenko, Yanukovych, and Moroz.

Rather than working on a joint version of a new law as announced, Regions rejected all Presidential suggestions in a committee session without OU MPs or Yatseniuk, the President's representative on the bill, present. Yatseniuk later angrily denounced the changes and accused Moroz of violating the agreement with Yushchenko from the floor of the Rada before storming out of the chamber, as OU MPs rushed the floor rostrum. To no avail. After all 40 Presidential amendments were rejected, Moroz called for a vote to override Yushchenko's veto of the previously passed CabMin law. With BYuT joining Regions, the Socialists, and the Communists in voting unanimously, the override vote succeeded, to OU cries of "shame" and "betrayal."

¶5. (SBU) As Regions and Socialist MPs clapped and jeered, an unrepentant Tymoshenko accused OU in return of having been

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the party that had brought down the orange coalition in 2005, prevented the reformation of a democratic coalition in 2006, supported Yanukovych's PM nomination in August, and tried repeatedly but unsuccessfully to cut its own deal with Regions not over principles but government posts. It was time to stop the fight for power between the two Viktors which was paralyzing the country domestically and ruining its image internationally and allow the country and government to move forward, Tymoshenko declared.

The Regions-BYuT deal: convergence of interests

¶6. (SBU) The tactical Regions-BYuT deal resulted in a series of tradeoff votes, as Regions and BYuT deputy leaders candidly admitted in the Rada lobby afterwards. The CabMin bill veto override was followed in quick succession by passage in a single reading of a law requiring an imperative party mandate for local council representatives, as well as approval in a first reading of a law giving extensive powers to the opposition, both BYuT objectives. BYuT deputy leader Turchynov explained that BYuT would use the local council imperative mandate to discipline Kyiv City Council MPs who had strayed and would attempt to form a new majority. He shrugged off criticism of BYuT having enabled Yanukovych via the override by noting that if the government failed to deliver on its promises, Tymoshenko could return as PM and prove more effective. BYuT MP Polokhalo told us that BYuT was tired of the constant fighting between the two Viktors' camps, Yushchenko's losing efforts to cooperate with Regions, and Yushchenko's refusal to work with BYuT as a partner; the override vote cut a Gordian knot of Ukrainian politics, he suggested.

¶7. (SBU) Yanukovych confidante Herman told us January 11 that Yanukovych's end of session speech she had drafted would emphasize the approach of cooperation with Yushchenko coming out of the January 10 session. Herman explained the sudden

change in approach to what she characterized as "important new information" which had come to Yanukovych's attention late on January 11; he had concluded that he could no longer trust Yushchenko (Note: others suggested that this "development" involved allegations that Yushchenko had recently authorized the SBU to wiretap the phone conversations of Speaker Moroz.) Herman had rewritten Yanukovych's speech accordingly. "Now Ukraine has its Chancellor; Regions no longer needs to worry about contesting the 2009 Presidential elections," she added in conclusion.

Yanukovych and Moroz sum up without mentioning Yush

¶8. (SBU) Yanukovych's 10 minute speech at the Rada session summing up the results of the past six months and looking forward was perhaps most notable for its failure to mention Yushchenko or the institution of the presidency once. Instead, he extolled the virtues of Ukrainian parliamentarism as a unifying and productive force for Ukraine, with the Cabinet-Rada partnership the most important dynamic in Ukrainian politics. While the Rada's session may have started in conflict, it was ending in hope for the future: prospects of economic growth and the consolidation of society. Moroz's lengthier comments highlighted the same themes, emphasizing the Rada's achievements. His only mention of the presidency came in a passing footnote to the numbers of bills passed in the session (130); of the 35 drafts forwarded by the president's secretariat, the Rada had passed 17.

What next? a Rada break through Feb 5, reassessment

¶9. (C) Even before the CabMin veto override, Regions had continued chipping away at Presidential authority earlier January 12, pushing through the appointment of ex-Kuchma SBU chair and National Security and Defense Council (NSDC) Secretary Radchenko, who has served as a Yanukovych adviser

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since September, as a new Deputy Prime Minister who would oversee law enforcement, national security, and defense issues and agencies - a key part of what Yushchenko's team considers his remaining constitutional prerogative. Separately, two Regions MPs introduced a bill to abolish the posts of NSDC Secretary and deputy Secretaries, currently presidential appointments, and require joint Presidential and PM signatures on all NSDC decisions (currently a presidential right). The GOU financial clearing house under DPM Azarov's control is refusing to recognize the validity of FM Tarasyuk's signature, leading to MFA officials not being paid and projects to stall, according to an MFA contact. Yatseniuk made the predictable announcement that Yushchenko would appeal the CabMin law to the Constitutional Court on

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January 15 and refuse to sign any bills passed January 12.

¶10. (C) Comment: it is not clear whether Yushchenko has the stomach or the tools to push back against Regions' latest effort to curtail his influence. He and his team will need to reassess his options for the prospects of cooperation in light of the most recent developments, which have left some in Regions openly asserting that Yushchenko has now been marginalized, with power firmly in the hands of Yanukovych as PM.

¶10. (U) Visit Embassy Kyiv's classified website:
www.state.sgov.gov/p/eur/kiev.
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